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TAGS: ETRD EINV ECON PREL PGOV BL
SUBJECT: BOLIVIA: ON THE CUTTING EDGE OF TRADE?

REF: LA PAZ 1100

¶1. (SBU) Summary: The Ministry of Foreign Affairs' vice minister of economic relations and foreign trade appears to believe Bolivia is gaining influence in the formation of regional and international trade policy. She claims President Morales is assuming a leadership role in the Andean Community, reconsidering Bolivia's relationship with MERCOSUR, and designing alternative models of international trade, largely through his proposed Peoples' Trade Agreement (reftel). The vice minister assured Econoffs that Bolivia has no plans to close its markets to foreign goods or investors, but recent policy statements call into question its openness to international trade. End summary.

Morales: the Andean Community's New Leader?

¶2. (SBU) In an April 24 meeting with Econoffs, the Ministry of Foreign Affairs' Vice Minister of Economic Relations and Foreign Trade Maria Luisa Ramos suggested Bolivia is gaining influence in the formation of regional and international trade policy, particularly in the Andean Community. She noted that President Evo Morales is gradually assuming a leadership role - one many of his Andean counterparts supposedly "expected" him to assume - and will encourage member countries to seek to resolve problems internally before consulting outsiders. Ramos discounted Morales' April 19 assertion, echoing Venezuelan President Hugo Chavez, that the Andean Community is "dead" and said Bolivia would remain a member of the organization, arguing that Morales has a vested interest in ensuring its survival and in protecting export markets and related jobs. She said Morales wrote to his Andean Community counterparts to request an urgent meeting, holding this up as evidence of the Bolivian president's central role in decision making.

¶3. (SBU) Colombia's ambassador to Bolivia told Ambassador Greenlee April 25, however, that neither Colombian President Alvaro Uribe nor Peruvian President Alejandro Toledo would agree to an Andean Community meeting whose agenda was

determined by Venezuela and Bolivia. News reports indicate that both presidents have expressed anger at their counterparts' accusations that they undermined the Andean Community by signing free trade agreements with the United States. Presidents Uribe and Toledo have also said they will not respond to Chavez' announcement that Venezuela will consider remaining in the Andean Community only if Colombia and Peru reconsider their trade pacts.

MERCOSUR: to Join or not to Join?

¶4. (SBU) Vice Minister Ramos recognized Bolivia's weak links to MERCOSUR, noting that exports consist mostly of raw materials and that Bolivia has long had a negative trade balance with the Southern Cone commercial bloc. She said, however, that President Morales is reconsidering Bolivia's relationship with MERCOSUR and has asked GOB officials to research member countries' imports to see if Bolivian manufacturers can make and supply certain goods. Ramos told us she hoped Bolivia's sales of value-added goods and agricultural products to MERCOSUR members would increase.

¶5. (SBU) Ramos' eagerness to take advantage of regional commercial opportunities does not coincide with what we have heard from Brazilian government representatives. Brazilian Embassy official Octavio Cortes told Econoffs April 20 that Brazil had twice offered MERCOSUR membership to Bolivia, only to be told that Morales would "analyze" the proposal. Brazil also offered in January to send a delegation to Bolivia to discuss opportunities for mutual cooperation, but the Brazilian Embassy received no response until early April. Ramos made no mention of the delegation's visit or the offer to join MERCOSUR, which suggests Bolivia has at best an ambivalent attitude toward the organization.

Bolivia: Paving a New Path to Development?

¶6. (SBU) Ramos assured us that President Morales' proposed Peoples' Trade Agreement (reftel) was official GOB policy, although it was still "being consulted" among government officials and with the Bolivian public. Ramos insisted Bolivia would chart its own path to economic development, declaring that Bolivia is not following others' recommendations and pointedly denying that Morales relies on Chavez for guidance. Bolivia is open to international trade, Ramos said, but since the policies of the past 20 years have failed to produce the economic gains many expected, government officials have no choice but to develop new formulas for growth. The search for alternatives apparently applies not only to the United States, but also to other trading partners, as news reports indicated April 26 that Bolivia, Venezuela, and Cuba would sign a Peoples' Trade Agreement to strengthen the countries' commercial ties.

Comment

¶7. (SBU) The vice minister assured us that Bolivia has no plans to close its markets to foreign goods or investors, but recent policy statements call into question its openness to international trade. Morales' description of the Peoples' Trade Agreement stated that any bilateral pact should limit market liberalization and the rights of foreign investors and protect small producers, clearly indicating a desire to raise, not lower, trade barriers. While Ramos did not dismiss the possibility of future trade negotiations, she seemed skeptical of U.S. motives and our willingness to engage in genuine debate. This skepticism, together with Bolivians' inflated view of their role in the regional and global economy, will make common ground increasingly hard to find.

GREENLEE